



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Norman H. Bangerter
Governor

Dee C. Hansen
Executive Director

Dianne R. Nielson, Ph.D.
Division Director

355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340

July 26, 1989

TO: Board of Oil, Gas and Mining

THRU: Lowell P. Braxton, Associate Director, Mining *LOB*

FROM: D. Wayne Hedberg, Senior Reclamation Specialist/Hydrologist *DWH*

RE: Request for Board Concurrence, Amount and Form of Reclamation Surety, Drum Mine, Jumbo Mining Company, M/027/007, Millard County, Utah

The Division seeks the Board's concurrence on the amount and form of reclamation surety to be provided by Jumbo Mining Company (Jumbo) for continued operations at the Drum Mine located in Millard and Juab Counties, Utah. Attached for your reference, is a copy of the executive summary for the original Drum Mine permit application.

On November 17, 1983, the Board approved the amount and form of reclamation surety filed by Western States Minerals Corporation (WSMC). Jumbo has recently purchased the Drum Mine property from WSMC. A revised reclamation surety estimate of \$143,000 (in 1994 dollars) has been calculated by the Division to reclaim portions of this minesite. The revised reclamation surety includes the projected reclamation costs (\$19,000) for an additional 11-acre disturbance associated with a recent permit amendment filed by Jumbo (Drum Mountain Project). A total reclamation surety of \$162,000 will be posted by Jumbo for continued operations at the Drum Mine and to initiate mining on the new Drum Mountain Project.

The proposed form of surety will be United States Treasury Bills which will be held in the name of the State of Utah, Division of Oil, Gas and Mining, and the U.S. Department of the Interior, Bureau of Land Management. Securities transactions will be handled by and processed through the Utah State Treasurer's office.

Also attached are copies of the updated reclamation surety estimate, the Reclamation Contract (Form MR-RC), and the amount and form of reclamation surety. A copy of Jumbo's reclamation surety "Pledge Plan" is attached for your review. A copy of the revised permit transfer form (Form MR-TRL), with conditions, has been provided for your information. The Division is presently working to complete the permit transfer between WSMC and Jumbo.

Thank you for your time and consideration of this formal request for acceptance of the amount and form of reclamation surety.

jib
Attachments
MN2/36

Reclamation Estimate for JUMBO MINING COMPANY M/027/007

Prepared By
Utah State Division of Oil, Gas and Mining
April 4, 1989 Revised 7-26-89

| Description | Quantity | Total Unit | \$/Unit | Cost (\$) |
|---|----------|-------------|---------|-----------|
| Drum Mine Pit and Decline Reclamation | | | | |
| Remove Trash | | Lump Sum | | 2,000 |
| Construct Berms Along Highwalls | 1,200 | Linear Feet | 4.70 | 5,640 |
| Construct Seal 100' Inside Portal | 5 | Portals | 1,000 | 5,000 |
| Backfill Portal | 2,000 | Cubic Yards | 0.60 | 1,200 |
| Rip Roadways in Pits | 12.0 | Acres | 150 | 1,800 |
| Revegetate * | 12.0 | Acres | 175 | 2,100 |
| Subtotal | | | | 17,740 |
| Heap Leach Pad Reclamation | | | | |
| Decommission Heap Leach Pads | 29.4 | Acres | 490 | 14,300 |
| Remove Trash | 29.4 | Acres | 100 | 2,940 |
| Grade to a 3h:1v Slope | 29.4 | Acres | 800 | 23,520 |
| Haul and Spread Topsoil | 2,000 | Cubic Yards | 0.63 | 1,260 |
| Revegetate * | 29.4 | Acres | 175 | 5,150 |
| Subtotal | | | | 47,170 |
| Drum Mine Waste Dumps Reclamation | | | | |
| Remove Trash | 2.5 | Acres | 100 | 250 |
| Grade to a 3h:1v Slope | 2.5 | Acres | 800 | 2,000 |
| Revegetate * | 2.5 | Acres | 175 | 440 |
| Subtotal | | | | 2,690 |
| Facilities Reclamation | | | | |
| Demolish and Dispose of Buildings | 5,000 | Square Feet | 2.90 | 14,500 |
| Remove Fenceline | 15,030 | Linear Feet | 1.25 | 18,790 |
| Remove 6" Pipeline | 38,000 | Linear Feet | 0 | 0 |
| Plug Drill Holes | 30 | Each | 100 | 3,000 |
| Remove Trash | 40.0 | Acres | 100 | 4,000 |
| Rip Roads | 23.3 | Acres | 150 | 3,500 |
| Revegetate * | 40.0 | Acres | 175 | 7,000 |
| Subtotal | | | | 50,790 |
| Totals | | | | 118,390 |
| Add Contingency (10%) | | | | 11,840 |
| TOTAL RECLAMATION COST (1989 Dollars) | 83.9 | Acres | 1,550 | 130,230 |
| TOTAL RECLAMATION COST (1994 Dollars) @ 1.93% Annual Inflation | 83.9 | Acres | 1,700 | 143,000 |

Reclamation Estimate for JUMBO MINING COMPANY M/027/007

Prepared By
Utah State Division of Oil, Gas and Mining
April 4, 1989 Revised 7-26-89
(Continued)

Cost Parameters Used

| | | |
|--------------------|-----|------------------|
| 621B Scraper (O&O) | 150 | \$/hour |
| Production | 240 | Cubic Yards/hour |
| D-8 Dozer (O&O) | 160 | \$/hour |
| Production | 300 | LCY/hour |
| Speed w/ripper | 1 | mph |
| Labor Only | 24 | \$/hour |
| Trash Removal | 100 | \$/acre |
| Farm Tractor (O&O) | 67 | \$/hour |
| Speed | 4 | mph |
| Width of Pass | 6 | feet |

| Revegetation Cost per Acre | Quantity | Unit | \$/Unit | Total Cost (\$) |
|----------------------------------|----------|--------|---------|--------------------|
| Bare Costs | | | | |
| Seed Mix | 19 | Pounds | 7.37 | 140 |
| Application Costs | | | | |
| Seed Mix (broadcast by hand) | 0.5 | Hours | 24 | 12 |
| Scarify (tractor with chain) | 0.3 | Hours | 67 | 23 |
| Subtotal | | | | ----- 35 |
| Total Revegetation Cost per Acre | | | | 175 |

Reclamation Estimate for JUMBO MINING COMPANY M/027/007

Prepared By
Utah State Division of Oil, Gas and Mining
May 22, 1989

| Description | Unit | \$ /Unit | Jumbo Mining Company | | Western States Minerals Corporation | | Grand Totals | |
|---------------------------------------|-------------|----------|----------------------|-----------|-------------------------------------|-----------|--------------|-----------|
| | | | Quantity | Cost (\$) | Quantity | Cost (\$) | Quantity | Cost (\$) |
| Drum Mine Pit and Decline Reclamation | | | | | | | | |
| Remove Trash | Lump Sum | | | 2,000 | 0 | 0 | 2,000 | |
| Construct Berms Along Highwalls | Linear Feet | 4.70 | 1,200 | 5,640 | 0 | 0 | 1,200 | |
| Construct Seal 100' Inside Portal | Portals | 1,000 | 5 | 5,000 | 0 | 0 | 5 | |
| Backfill Portal | Cubic Yards | 0.60 | 2,000 | 1,200 | 0 | 0 | 2,000 | |
| Rip Roadways in Pits | Acres | 150 | 12.0 | 1,800 | 0 | 0 | 12 | |
| Revegetate * | Acres | 175 | 12.0 | 2,100 | 0 | 0 | 12 | |
| Subtotal | | | | 17,740 | | 0 | 17,740 | |
| Heap Leach Pad Reclamation | | | | | | | | |
| Decommission Heap Leach Pads | Acres | 490 | 29.4 | 14,300 | 16.3 | 7,990 | 45.7 | |
| move Trash | Acres | 100 | 29.4 | 2,940 | 16.3 | 1,630 | 45.7 | |
| Grade to a 3h:1v Slope | Acres | 800 | 29.4 | 23,520 | 16.3 | 13,040 | 45.7 | |
| Haul and Spread Topsoil | Cubic Yards | 0.63 | 2,000 | 1,260 | (a) | (a) | (a) | |
| Revegetate * | Acres | 175 | 29.4 | 5,150 | 16.3 | 2,850 | 45.7 | |
| Subtotal | | | | 47,170 | | 25,510 | 72,680 | |
| Drum Mine Waste Dumps Reclamation | | | | | | | | |
| Remove Trash | Acres | 100 | 2.5 | 250 | 25.5 | 2,550 | 28.0 | |
| Grade to a 3h:1v Slope | Acres | 800 | 2.5 | 2,000 | 25.5 | 20,400 | 28.0 | |
| Revegetate * | Acres | 175 | 2.5 | 440 | 25.5 | 4,460 | 28.0 | |
| Subtotal | | | | 2,690 | | 27,410 | 30,100 | |

Reclamation Estimate for JUMBO MINING COMPANY M/027/007

Prepared By
Utah State Division of Oil, Gas and Mining
May 22, 1989

| Description | Unit | \$ /Unit | Jumbo Mining Company | | Western States Minerals Corporation | | Grand Totals | |
|--|-------------|----------|----------------------|-----------|--|-----------|--------------|-----------|
| | | | Quantity | Cost (\$) | Quantity | Cost (\$) | Quantity | Cost (\$) |
| Facilities Reclamation | | | | | | | | |
| Demolish and Dispose of Buildings | Square Feet | 2.90 | 5,000 | 14,500 | 0 | 0 | 5,000 | 14,500 |
| Remove Fenceline | Linear Feet | 1.25 | 15,030 | 18,790 | 0 | 0 | 15,030 | 18,790 |
| Remove 6" Pipeline | Linear Feet | (b) | 38,000 | 0 | 0 | 0 | 38,000 | 0 |
| Plug Drill Holes | Each | 100 | 30 | 3,000 | 0 | 0 | 30 | 3,000 |
| Remove Trash | Acres | 100 | 40.0 | 4,000 | 0 | 0 | 40.0 | 4,000 |
| Rip Roads | Acres | 150 | 23.3 | 3,500 | 0 | 0 | 23.3 | 3,500 |
| Revegetate * | Acres | 175 | 40.0 | 7,000 | 0 | 0 | 40.0 | 7,000 |
| Subtotal | | | | 50,790 | | 0 | | 50,790 |
| Totals | | | | ===== | | ===== | | ===== |
| Add Contingency (10%) | | | | 118,390 | | 52,920 | | 171,310 |
| TOTAL RECLAMATION COST (1989 Dollars) | | | | 11,840 | | 5,290 | | 17,130 |
| TOTAL RECLAMATION COST (1994 Dollars) @ 1.93% Annual Inflation | | | | 130,230 | | 58,210 | | 188,440 |
| | | | | 143,000 | | 64,000 | | 207,000 |

Notes:
(a) The solution for the topsoil deficiency has not been determined.
(b) The salvage value exceeds removal cost. A bid was provided.

Reclamation Estimate for JUMBO MINING COMPANY M/027/007

Prepared By
Utah State Division of Oil, Gas and Mining
May 22, 1989
(Continued)

Cost Parameters Used

| | | |
|--------------------|-----|------------------|
| 621B Scraper (O&O) | 150 | \$/hour |
| Production | 240 | Cubic Yards/hour |
| D-8 Dozer (O&O) | 160 | \$/hour |
| Production | 300 | LCY/hour |
| Speed w/ripper | 1 | mph |
| Labor Only | 24 | \$/hour |
| Trash Removal | 100 | \$/acre |
| Farm Tractor (O&O) | 67 | \$/hour |
| Speed | 4 | mph |
| Width of Pass | 6 | feet |

| Revegetation Cost per Acre | Quantity | Unit | \$/Unit | Total Cost (\$) |
|----------------------------------|----------|--------|---------|--------------------|
| Bare Costs | | | | |
| Seed Mix | 19 | Pounds | 7.37 | 140 |
| Application Costs | | | | |
| Seed Mix (broadcast by hand) | 0.5 | Hours | 24 | 12 |
| Scarify (tractor with chain) | 0.3 | Hours | 67 | 23 |
| Subtotal | | | | 35 |
| Total Revegetation Cost per Acre | | | | 175 |

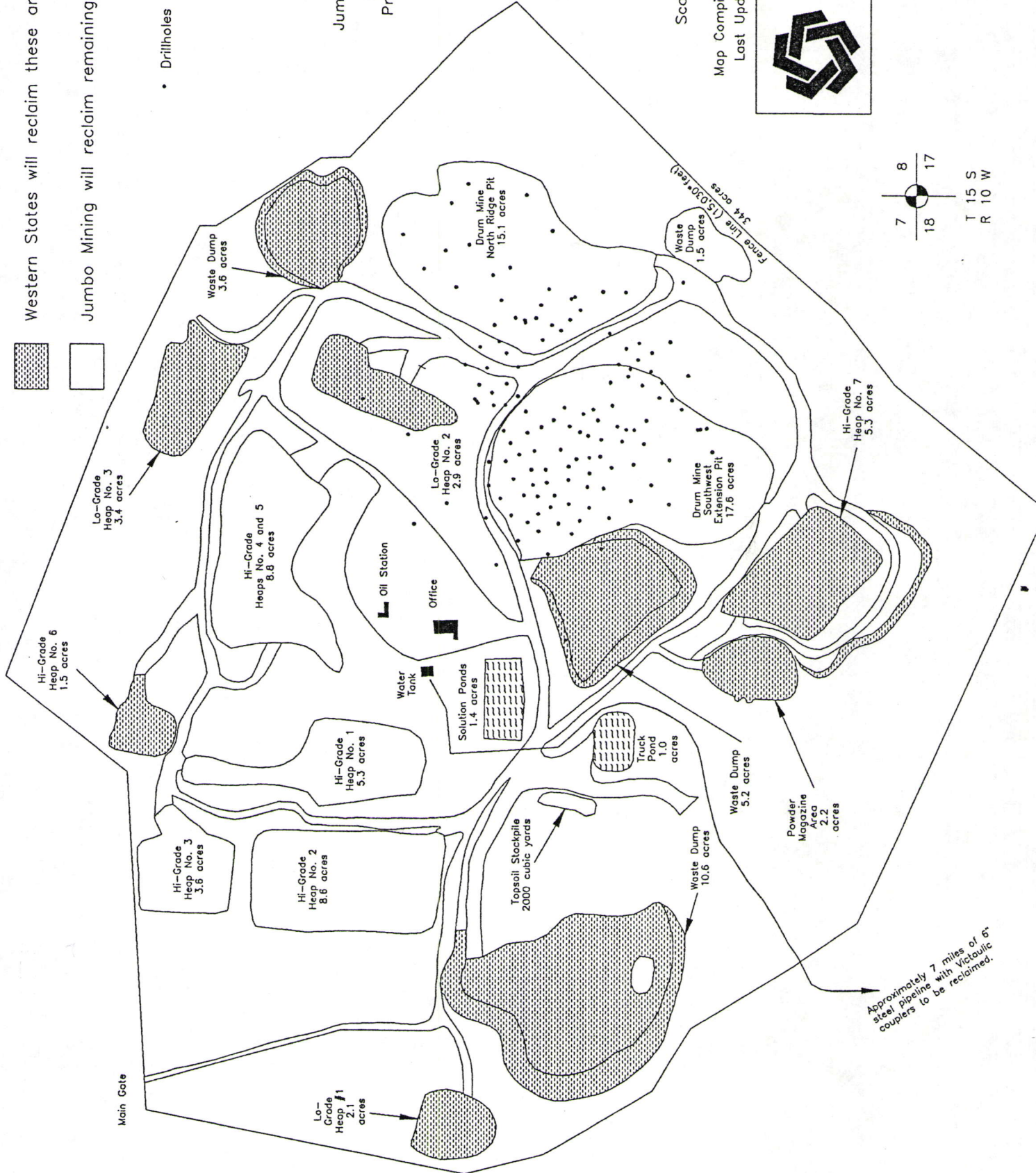
Reclamation Estimate for JUMBO MINING COMPANY M/027/007

Prepared By
Utah State Division of Oil, Gas and Mining
November 25, 1988 Revised 6-13-89

| Description | Quantity | Unit | \$/Unit | Total Cost (\$) |
|--|----------|-------------|---------|--------------------|
| Alto Pit Reclamation | | | | |
| Remove Trash | 3.8 | Acres | 100 | 380 |
| Construct Berm on Highwall | 450 | Linear Feet | 4.70 | 2,120 |
| Plug Drill Holes | 20 | Each | 100 | 2,000 |
| Rip Roads | 900 | Linear Feet | 0.60 | 540 |
| Grade for Uniformity | 2.9 | Acres | 430 | 1,250 |
| Revegetate * | 2.9 | Acres | 175 | 510 |
| Subtotal | | | | 6,800 |
| Keystone Test Pit Reclamation | | | | |
| Remove Trash | 0.9 | Acres | 100 | 90 |
| Plug Drill Holes | 7 | Each | 100 | 700 |
| Rip Roads | 400 | Linear Feet | 0.60 | 240 |
| Grade for Uniformity | 0.5 | Acres | 430 | 220 |
| Revegetate * | 0.5 | Acres | 175 | 90 |
| Subtotal | | | | 1,340 |
| Monarch Test Pit Reclamation | | | | |
| Remove Trash | 3.7 | Acres | 100 | 370 |
| Plug Drill Holes | 5 | Each | 100 | 500 |
| Rip Roads | 3,500 | Linear Feet | 0.60 | 2,100 |
| Grade for Uniformity | 3.0 | Acres | 430 | 1,290 |
| Revegetate * | 3.0 | Acres | 175 | 530 |
| Subtotal | | | | 4,790 |
| Ibex Decline Reclamation | | | | |
| Remove Trash | 0.5 | Acres | 100 | 50 |
| Plug Drill Holes | 5 | Each | 100 | 500 |
| Construct Seal 100' Inside Portal | | Lump Sum | | 1,000 |
| Backfill Portal | 400 | Cubic Yards | 0.60 | 240 |
| Revegetate * | 0.5 | Acres | 175 | 90 |
| Subtotal | | | | 1,880 |
| Totals | | | | 14,810 |
| Add Contingency (10%) | | | | 1,480 |
| TOTAL RECLAMATION COST (1988 Dollars) | | | | 16,290 |
| TOTAL RECLAMATION COST (1989 Dollars) @ 2.3% Annual Inflation | | | | 17,000 |
| TOTAL RECLAMATION COST (1994 Dollars) @ 1.93% Annual Inflation | | | | 19,000 |

Western States will reclaim these areas (41.8 acres).

Jumbo Mining will reclaim remaining areas (83.9 acres).



Jumbo Mining Company
M/027/007
Drum Mine Site
Present Disturbance

Scale: 1" = 600'

Map Compiled December 5, 1988

Last Update: July 26, 1989



State of Utah
Department of Natural Resources
Division of Oil, Gas and Mining



Approximately 7 miles of 6" steel pipeline with Victaulic couplers to be reclaimed.

ATTACHMENT 1

Transfer of Notice of Intention No. M/027/007 Certification of Approval Conditions of Transfer

July 25, 1989

Conditions of Transfer (continued)

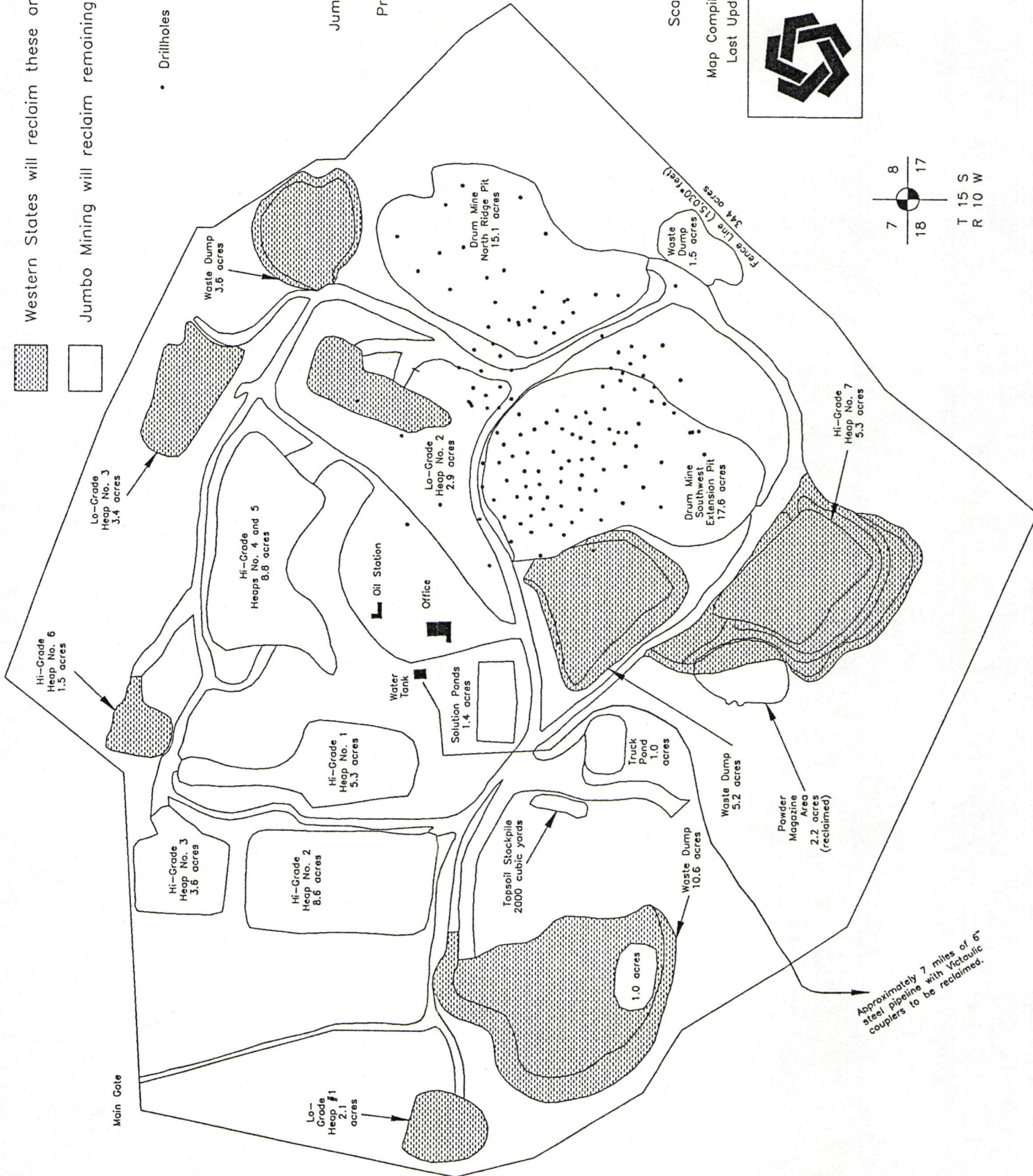
- (d) The Division will continue to hold the Transferor responsible for the reclamation of approximately 42 acres of existing Drum Mine surface disturbance, as delineated in Appendix A.
- (e) The Division will hold the Transferee responsible for the reclamation of approximately 84 acres of existing Drum Mine surface disturbance, as delineated in Appendix A.
- (f) The Transferor will retain responsibility for resolving the topsoil deficiency issue.
- (g) The Transferee's 84 acre Drum Mine reclamation responsibility includes posting a reclamation surety of \$143,000, based on reclamation calculations from Appendix A information.
- (h) An additional 11 acres of surface disturbance will be approved as an amendment to the Drum Mine permit. The Transferee will provide an additional \$19,000 reclamation surety amount for the proposed amendment (Drum Mountain Project).
- (i) The Division will retain possession of the Transferor's \$264,080 reclamation surety bond, until the topsoil deficiency issue and the question of ultimate Drum Mine reclamation responsibility between the Transferor and Transferee is resolved.
- (j) Resolution of the reclamation responsibility question may ultimately require an additional adjustment to the Transferee's reclamation surety amount.

jb
MN3/52

APPENDIX "A"

Western States will reclaim these areas (41.8 acres).

Jumbo Mining will reclaim remaining areas (83.9 acres).



Jumbo Mining Company
M/027/007
Drum Mine Site
Present Disturbance

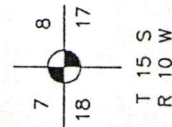
Scale: 1" = 600'

Map Compiled December 5, 1988

Last Update: July 26, 1989



State of Utah
Department of Natural Resources
Division of Oil, Gas and Mining



Approximately 7 miles or 6" steel pipeline with Victaulic couplers to be reclaimed.

FORM MR-RC
Revised 2/17/89
RECLAMATION CONTRACT

File Number M/027/007

Effective Date _____

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
(801) 538-5340

RECLAMATION CONTRACT

---ooOoo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.) M/027/007
(Mineral Mined) Gold

"MINE LOCATION":

| | |
|----------------|--|
| (Name of Mine) | <u>Drum Mine</u> |
| (Description) | <u>Drum Mountain Project</u> |
| | <u>Millard & Juab Counties, Utah</u> |
| | _____ |

"DISTURBED AREA":

| | | |
|---------------------|--------------------------|-----------------------|
| (Disturbed Acres) | <u>Approx. 126 Acres</u> | <u>Drum Mine *(1)</u> |
| (Legal Description) | <u>Exhibit A</u> | |

"OPERATOR":

| | |
|-------------------|------------------------------|
| (Company or Name) | <u>Jumbo Mining Company</u> |
| (Address) | <u>6305 Fern Spring Cove</u> |
| | <u>Austin, Texas</u> |
| | <u>78730</u> |
| (Phone No.) | <u>(512) 346-4537</u> |

*(1) plus approximately 11 acres for Drum Mountain Project permit amendment

"OPERATOR'S REGISTERED AGENT":

(Name)

(Address)

(Phone No.)

Prentice Hall

Corporate Services

P O Box 102670

Atlanta, Georgia 30368-0670

800-221-0770

"OPERATOR'S OFFICER(S)":

E. B. King

Janet King

"SURETY":

(Form of Surety - Exhibit B)

U. S. Treasury Bills

"SURETY COMPANY":

(Name, Policy or Acct. No.)

Irving Trust (New York) - to hold securities
as custodial agent for Utah State Treasurer

"SURETY AMOUNT":

(Escalated Dollars)

\$162,000

"ESCALATION YEAR"

1994

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

EXHIBITS:

Revision Dates:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Operator and the Board.

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/027/007 which has been approved by the Division under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim the Disturbed Area in accordance with Operator's approved Reclamation Plan and Operator is obligated to provide surety in form and amount approved by the Board, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Board and the Operator agree as follows:

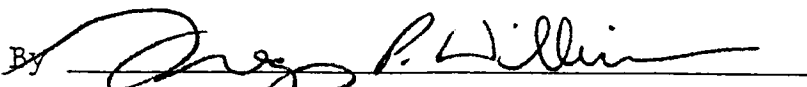
1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the Notice of Intention, and the Reclamation Plan.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Board, which surety is in the form of the surety attached hereto as Exhibit B and made a part hereof. The surety shall remain in full force and effect according to its terms unless modified by the Board in writing.
3. Operator agrees to pay public liability and property damage claims resulting from mining as determined by the Board or the Division, to the extent provided in the Act.

4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, and the Reclamation Plan.
5. The Operators liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention and the Reclamation Plan.
6. Operator agrees to indemnify and hold harmless the State, Board and Division from any claim, demand, liability, cost charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents, and employees, or contractor to comply with this Contract.
7. Operator may, at any time, submit a request to the Board to substitute surety. The Board, in its sole judgment and discretion, may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
8. This Contract shall be governed and construed in accordance with the laws of the State.
9. If Operator shall default in the performance of the obligations heretofore, Operator agrees to pay all costs and expenses, including attorneys fees and costs generated by the Division and/or the Board in the enforcement of this Contract.

10. Any breach of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Division, or Board, as appropriate, may revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety, or take such other action as is authorized by law.
11. In the event of forfeiture of the Surety, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this contract. Any excess monies resulting from forfeiture of the Surety, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
12. This Contract represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
13. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

SO AGREED this 4th day of August, 1989.

APPROVED AS TO FORM AND AMOUNT OF SURETY:

By 
Chairman, Board of Oil, Gas and Mining

DIVISION OF OIL, GAS AND MINING:

By

Director

Dianne R. Nielson

Date

8/4/89

STATE OF

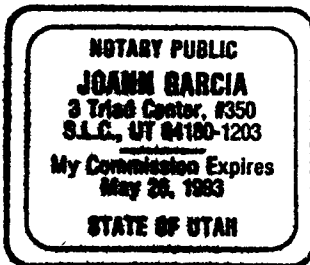
Utah

COUNTY OF

Salt Lake

ss:

On the 4th day of August, 19 89, personally appeared before me, who being by me duly sworn did say that he/she, the said Dianne R. Nielson is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah, and he/she duly acknowledged to me that he/she executed the foregoing document by authority of law on behalf of the State of Utah.



Notary Public

Residing at:

Joann Garcia

S.L.C., UT

5/26/93
My Commission Expires:

OPERATOR:

By E. B. King President

Corporate Officer - Position

July 27, 1989

Date

STATE OF UTAH)

ss.

COUNTY OF SALT LAKE)

On the 27th day of July, 1989, personally appeared before me E. B. King who being by me duly sworn did say that he/she, the said E. B. King is the President of Jumbo Mining Company and duly acknowledged that said instrument was signed on behalf of said company by authority of its bylaws or a resolution of its board of directors and said E. B. King duly acknowledged to me that said company executed the same.

Joann Garcia
Notary Public
Residing at: SLC, Utah

NOTARY PUBLIC
JOANN GARCIA
3144 Cedar, #358
S.L.C., UT 84108-1203
My Commission Expires
May 28, 1993
STATE OF UTAH

5/26/93

My Commission Expires:

INSTITUTION:

Surety (Company)

Company Officer - Position

Date

STATE OF _____)
) ss:
COUNTY OF _____)

COUNTY OF _____

On the _____ day of _____, 19____, personally
appeared before me _____ who being by me
duly sworn did say that he/she, the said _____ is
the _____ of _____
and duly acknowledged that said instrument was signed on behalf of
said company by authority of its bylaws or a resolution of its board
of directors and said _____ duly acknowledged to
me that said company executed the same.

Notary Public
Residing at:

My Commission Expires:

NOTE: An Affidavit of Qualification must be completed and attached to this form for each authorized agent or officer. Where one signs by virtue of Power of Attorney for a company, such Power of Attorney must be filed with this Contract.

ATTACHMENT

EXHIBIT - A

RECLAMATION CONTRACT, FORM MR-RC

DRUM MINE & DRUM MOUNTAIN PROJECT PERMIT AMENDMENT

JUMBO MINING COMPANY

JULY 26, 1989

Legal Descriptions of Disturbed Areas:

DRUM MINE - portions of Section 7, Township 15 South, Range 10 West, Millard County, Utah, SLBM.

DRUM MOUNTAIN PROJECT AMENDMENT - portions of Sections: 35 and 36, Township 14 South, Range 11 West, Sections 6, 7 & 8, Township 15 South, Range 10 West, and Section 1, Township 15 South, Range 11 West, Juab and Millard Counties, Utah, SLBM.

dwh
MN2/39

PLEDGE PLAN
for
Surety Policy - Minerals Program

STATE OF UTAH
Department of Natural Resources
Division of Oil, Gas and Mining

and

U. S. Department of Interior
Bureau of Land Management

Pledgor: Jumbo Mining Company

Depository: State of Utah, Department of the Treasury

Security

Selection: Texas Commerce Bank- Austin; Mr. Randy Robinson; telephone
512-479-2864.

Securities: U. S. Treasury bills, \$176,000

Operational

- Procedure:
1. Texas Commerce Bank delivers securities as directed by the State of Utah, registered in the names of the State of Utah, Division of Oil, Gas and Mining and the Bureau of Land Management, to the State Treasurer.
 2. The Treasurer will issue a certificate to the Division of Oil, Gas and Mining stating that they have received them as pledge from Jumbo Mining Company
 3. Treasury bills will be in the possession of the State Treasurer.
 4. Prior to maturity Texas Commerce Bank will send a request to the Division of Oil, Gas and Mining to pledge a new security and release existing security in a simultaneous transaction.
 5. Oil, gas and mining notifies the State Treasurer's office of their approval.
 6. State Treasurer notifies Texas Commerce Bank of the approval.
 7. Texas Commerce Bank buys new security and delivers to the State Treasurer for the benefit of Oil, Gas and Mining vs. the money they would receive from maturing security. The State Treasurer accepts Texas Commerce Bank's delivery notice and monies are transferred through the wire transfer system. The Treasurer will wire excess funds to Jumbo Mining Company.